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Q & A

As A New Member

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**MASSACHUSETTS
TEACHERS'
RETIREMENT
BOARD**



John E. Kearney, Chairman
Thomas R. Lussier, Executive
Director

MASSACHUSETTS TEACHERS' RETIREMENT BOARD

One Ashburton Place, Room 919

Boston, Massachusetts 02108

(617) 727-3661

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Massachusetts Department of Education*

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Elected Member

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Executive Director

This booklet was written and prepared exclusively for use by members of the Massachusetts Teachers' Retirement System. Its contents are subject to change by statute of the Massachusetts Legislature or by regulation of the Teachers' Retirement Board. This booklet was written by the Program Development Department of the Teachers' Retirement Board.

Joann E. Flaminio

Director of Program Development

Margaret R. Shea

Research Analyst

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As A New Member

Q&A

What is the Massachusetts Teachers' Retirement System?

The Massachusetts Teachers' Retirement System is a contributory retirement system governed by the Commonwealth's retirement law, Chapter 32 of the Massachusetts General Laws. The Teachers' Retirement System, which is the second largest of the Commonwealth's 106 contributory retirement systems, provides retirement, disability, and survivors' benefits for Massachusetts teachers and their families.

Q&A

Who manages the Teachers' Retirement System?

The Massachusetts Teachers' Retirement Board administers the Teachers' Retirement System. The Board, which meets once a month, must vote on every retirement allowance and investigate all claims for ordinary and accidental disabilities. The Board also establishes the rules and regulations of the agency. Finally, the Board oversees the dissemination of services and information to its membership of over 70,000 teachers and 21,000 retirees. The Board is assisted in its many tasks by an executive director. The executive director, together with a staff of 45 professionals, implements the programs and policies of the Board.

The Board is composed of five members chosen in accordance with the Massachusetts retirement law. Two members are elected by the active and

retired members of the system. One member, who must be a retired teacher, is appointed by the Governor and one member is chosen by the vote of the other four. The last member and chairman of the Board is the Massachusetts Commissioner of Education or his designee. Each member, except the chairman, serves a four year term. The length of the Chairman's term depends upon the tenure of the Commissioner of Education.

Q&A

What services does the Board provide for its members?

Since the creation of the system in 1914, the Board has never strayed from its original mandate to provide a retirement system for teachers. For the past seventy years, it has adhered to a traditional role as bookkeeper: enrolling members, compiling members' annual reports, granting retirements, and paying pensions. Today, the Board still provides its traditional bookkeeping services but it has added several new programs all designed to better serve the public educators of Massachusetts. Some of the Board's initiatives include:

MTRB ADVISOR

MTRB Advisor is a newsletter published periodically by the Massachusetts Teachers' Retirement Board. The MTRB Advisor reports on developments in public pension legislation, services and programs offered by the Board, and other subjects which are of interest to the active and retired membership. The MTRB Advisor is distributed to the teachers of the Commonwealth through their Superintendent's Office. Retired members

of the system receive the MTRB Advisor through the mail.

THE SEMINAR

For Teachers Considering Retirement

The Seminar is an informational retirement program for teachers who are considering retirement. The program, which is held at various locations across the Commonwealth, focuses on retirement formulas, option selection, health insurance, and other post-retirement issues.

THE NEXT CHAPTER

The Next Chapter is a comprehensive pre-retirement planning program developed by the Massachusetts Teachers' Retirement Board and the Gerontology Institute of the University of Massachusetts at Boston. The program, which is designed for teachers five to ten years away from retirement, helps participants examine their attitudes, concerns, and goals as they prepare for the demands of their retirement years.

Q&A

Am I required to be a member of the system?

Membership in the Massachusetts Teachers' Retirement System is a statutory requirement for all teachers and education professionals employed on at least a half-time basis in the public schools of the Commonwealth. Full-time teachers begin membership immediately. Part-time, substitute, and temporary teachers who are employed on at least a 50% basis must complete six months of service before they are eligible for membership.

This requirement is waived for part-time, substitute, and temporary teachers who re-enter the system with funds on deposit or who transfer from another Massachusetts Contributory Retirement System.

Contributions and Interest

Q&A

How much am I required to contribute?

The amount that you contribute to the system is based upon a percentage of your salary. This percentage, which is established by the Commonwealth's retirement law, is determined by your most recent date of entry into the system. Members who re-enter the system with funds on deposit or members who transfer from another Massachusetts Contributory Retirement System maintain their former contribution level.

Date of entry into the system	Percentage
Before January 1, 1975	5%
January 1, 1975–December 31, 1983	7%
After January 1, 1984	8%

Effective January 1, 1987, members who entered the system after January 1, 1979, will contribute their regular retirement percentage plus an additional 1% on compensation between \$30,000 and \$45,000 and an additional 2% on compensation in excess of \$45,000.

Correction

Please note that the increase in member contributions discussed on page four (last line) was not approved by the Massachusetts Legislature during the 1986 session. Consequently, there will not be an increase as of January 1, 1987 for those members who entered the system after January 1, 1979.



Q&A

What happens to the money I contribute to the system?

Once you are enrolled as a member in the Teachers' Retirement System, an Annuity Savings Account is established on your behalf. Your school district deducts your retirement contributions and transfers them to the Teachers' Retirement System. Your contributions, plus any interest which you may earn on these contributions, are credited to your account. Each year, active members of the system will receive a statement from the Board which will reflect the total contributions and interest credited to their accounts.

Q&A

How are my contributions invested?

Your contributions to the Massachusetts Teachers' Retirement Board are deposited into the Teachers' Annuity Savings Fund. The investments of the fund are supervised by a three-person investment committee chaired by the State Treasurer. The other members of the committee include the Commissioner of Banking and a representative of the investment community.

In 1983, the State Legislature passed a major pension reform bill, Chapter 661 of the Acts of 1983, which addressed the problem of the Commonwealth's growing unfunded liability. The Teachers' Pension Reserve Fund was a creation of that legislation. This fund was created to serve as a repository for funds set aside to meet the future pension obligations of the Teachers' Retirement System. The primary source of reserve funds is the excess earnings of the Teachers' Retirement System.

Excess earnings is the difference between the investment income that the Teachers' Annuity Savings Fund earns and the amount that is credited to members' accounts as interest. Other components of the Teachers' Pension Reserve Fund include special state appropriations and the undistributed interest earned on the accounts of certain members who withdraw their funds from the system. Each year, the balance in the Teachers' Pension Reserve Fund is transferred to the Pension Reserve Investment Trust Fund.

The Pension Reserve Investment Trust Fund, also known as the PRIT Fund, was another creation of Chapter 661. The PRIT Fund was established for the purpose of depositing, investing, and dispersing amounts set aside to meet the unfunded liabilities of the PRIT Fund members. The Teachers' Retirement System and the State Employees' Retirement System are required by statute to be members of the PRIT Fund. Local and county retirement systems have the option of joining the fund.

The Pension Reserve Investment Management Board, also known as the PRIM Board, supervises the investments of the PRIT Fund. The State Treasurer is the chairman of the nine-member PRIM Board. One member of the PRIM Board, who must be an active or retired teacher, is elected by the membership of the Teachers' Retirement System.

How does my Annuity Savings Account earn interest?

All Annuity Savings Accounts, *except those which have been inactive for more than two years*, earn interest annually on the prior year balance of the account. Interest is not paid on current year contributions. Members whose accounts have been inactive for more than two years will receive interest for the entire inactive period if they return to service or if they apply for a retirement allowance.

How is the interest rate paid on my account established?

The rate of interest that is paid on your Annuity Savings Account is established annually in accordance with the Commonwealth's retirement law. The Commissioner of Public Employee Retirement, in consultation with the Commissioner of Banking, determines the figure by obtaining the average interest rate paid by Massachusetts savings institutions on individual passbook accounts. The rate established by the Commissioner in 1984, 1985, and 1986 was 5.5%.

The interest rate paid on your Annuity Savings Account does not reflect the investment performance of the Teachers' Annuity Savings Fund. The difference between the amount that is credited to members' accounts as interest and the amount of investment income earned by the Fund is called the excess earnings of the system. As stated previously, the excess earnings are transferred annually to the PRIT Fund. The excess earnings of the Teachers' Retirement System, invested as

a part of the PRIT Fund, serve to reduce the Commonwealth's unfunded pension liability.

Refunds

Q&A

Can I receive a refund of my contributions and interest?

If you are under age 55, you may receive a refund of your total contributions if you have officially resigned your position and you will not be re-employed in a position which requires membership in a Massachusetts Contributory Retirement System. If you are over 55, you must meet an additional requirement. Members over 55 cannot receive a refund if they are eligible to receive an annual retirement allowance equal to or greater than \$600.00.

If you became a member of our system before January 1, 1984 or if you were involuntarily terminated from your position, you will receive a refund of the total interest earned on your contributions. The interest regulations differ if you joined the system on or after January 1, 1984 and you voluntarily resign your position. Members in this category who have completed less than five years teaching service will receive none of the interest credited to their accounts. Members with more than five years but less than ten years teaching service will receive a 50% payment of interest. These restrictions do not apply to members whose positions have been terminated.

Q&A

If I take a refund and then re-enter the system, can I receive credit for my former service?

If you re-enter the Teachers' Retirement System, you will not receive credit for your previous service unless you purchase the time covered by the refund. The cost of your previous service is based upon the total amount of your refund plus an interest charge. The interest charge reflects the amount of interest that would have been credited to your account if your funds remained on deposit. Members are no longer required to purchase previous service as a condition of re-employment. Members in active service or on an authorized leave of absence may purchase previous service anytime before their effective date of retirement.

Q&A

What factors should I weigh when I consider taking a refund of my Annuity Savings Account?

If you take a refund of your Annuity Savings Account and you later re-enter the Teachers' Retirement System or another Massachusetts Contributory Retirement System, you will be considered a new member. As a new member, you are not entitled to your previous service credit unless you purchase the time covered by the refund. Further, you may be subject to a higher contribution rate established for new employees. Purchasing credit for the time covered by the refund will not re-establish your former contribution rate. By leaving your funds on deposit, you will retain your creditable service and remain at your original contribution rate.

Members who leave their funds on deposit will only earn interest on their Annuity Savings Accounts for two years after their resignation or termination date. However, if you leave your funds on deposit and re-enter the system, interest for the entire inactive period will be credited to your account.

If you would like to receive a refund of your Annuity Savings Account, you must complete a refund application form. The forms are available upon request to the Board.

Benefits and Creditable Service

Q&A

If I should die, what benefits would my survivor be entitled to?

If you die while you are an active member of the Teachers' Retirement System, your survivor will receive a lump-sum payment of the balance in your Annuity Savings Account, or, if you leave an eligible spouse and/or minor children, a monthly survivors' benefit.

The Massachusetts retirement law defines an eligible spouse as a person married for more than one year to a member with over two years of creditable service. If your spouse qualifies, he/she will have the option of choosing either a lump-sum payment of the balance of your Annuity Savings Account or a monthly survivors' benefit. The monthly survivors' benefit is derived

by taking two-thirds of the amount the member would have received under a Joint and Survivor Allowance if he/she retired upon the date of death. The minimum monthly benefit a spouse will receive is \$250.00.

Your minor children will be eligible to receive a monthly benefit if you have completed at least two years of creditable service. The first child in a family will receive a monthly payment of \$120.00 and each additional child will receive \$90.00. The Massachusetts retirement law defines a minor child as an unmarried child under 18 or, if a full-time student, under 22. Additionally, children who are physically or mentally handicapped on the member's date of death and who are unable to be financially self-supporting are eligible to receive a lifetime benefit.

Q&A

When can I retire?

You are eligible to receive a retirement allowance when you have completed twenty years of creditable service *or* when you have reached age 55. If you joined our system on or after January 1, 1978, you must complete at least ten years of service before you can receive a retirement allowance. A more detailed packet of retirement information is available to all members upon request to the Board.

Q&A

Can I receive credit for teaching in another state?

If you are an active member of the system or if you are on an authorized leave of absence, you may purchase credit for service rendered in the public schools of another state or in an overseas dependent school. The maximum amount of out-of-state credit that may be purchased is ten years. Members cannot purchase an amount of out-of-state credit which would exceed their creditable service in our system. Out-of-state service credit may be purchased anytime before your effective date of retirement.

Q&A

Can I receive credit for substitute service?

You may be eligible to receive credit for substitute teaching in the public schools of Massachusetts. You are entitled to purchase credit for any calendar month in which you taught the equivalent of nine full days. Active members or members on an authorized leave of absence may purchase substitute service credit anytime before their effective date of retirement.

If you require additional information, please contact the Massachusetts Teachers' Retirement Board at (617) 727-3661.

For your information, here are the names and addresses of the other retirement agencies mentioned within the booklet:

TEACHERS' ANNUITY SAVINGS FUND INVESTMENT COMMITTEE

Office of the State Treasurer
State House, Room 227
Boston, Massachusetts 02133
(617) 367-6900

Robert Q. Crane, Chairman
State Treasurer

Paul E. Bulman
Commissioner of Banking

Anthony Wilkins
Appointed Member

PENSION RESERVES INVESTMENT MANAGEMENT BOARD

Two Center Plaza
Boston, Massachusetts 02108
(617) 277-7788

Robert Q. Crane, Chairman
State Treasurer

George Fillion
*Elected by the Members of the
Teachers' Retirement System*

Paul F. Quirk
Executive Director

PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION

One Ashburton Place, Room 1101
Boston, Massachusetts 02108
(617) 727-9380

John J. McGlynn
Commissioner

1. ~~Unpublished~~

2. ~~Unpublished~~

3. ~~Unpublished~~